

Memorandum

April 15, 2008

TO: Members of the MAG POPTAC

FROM: Jeff Romine, Senior Regional Economist

SUBJECT: TRANSPORTATION FUNDS IMPACTED BY CENSUS POPULATION ESTIMATES

A rough estimate of the funding impacts on Interstate Maintenance and National Highway System resulting from low U.S. Census Bureau (Census) Annual Population Estimates is a loss of between \$1.5 and \$1.8 million dollars in federal funds for the State of Arizona. To eliminate or reduce this shortfall and receive these funds, either our member agencies or the State of Arizona would need to challenge the Census' Annual Population Estimates.

While researching the use of Census' population estimates in the formulas for federal grants and funds, I examined the formulas and associated methodology used in determined in the distribution of federal highway and interstate dollars under SAFETEA-LU (Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users). The 2000 Census population count is used for determining shares of funding for several transportation programs, such as the regional planning funding given to Metropolitan Planning Organizations. Further examination of the formulas used in calculating state shares of funding revealed that the Census' current population estimates can have a direct affect on the amount of federal funds for Arizona and the MAG region.

Specifically, I examined two funds likely affected; the Interstate Maintenance and National Highway System programs. Both programs are impacted, as the formula includes vehicle miles traveled (VMT) to determine need for the distribution of these funds among states. Additionally, the National Highway System also includes a calculation of per capita principal arterial lane-miles. The methodology to calculate VMT and per capita lane-miles utilizes a current population estimate in the formula.

In various sections of the U.S. Code Title 23, Chapter 1, the code includes sections stating "Determinations of population...the Secretary shall use the latest available annual estimates prepared by the Secretary of Commerce." These estimates are the U.S. Census Bureau's Annual Population Estimates, which are released annually in late December for states and in March for counties, and in June for incorporated places.

To investigate the potential impact of the difference between State of Arizona population estimates and the estimates produced by the Census, I completed a preliminary analysis using the latest State of Arizona population estimates and the latest Secretary of Commerce (U.S. Census Bureau) annual population estimates. I adjusted the state share

percentages to reflect the difference between the population estimates of about 160,000 persons. This changed one portion of the Interstate Maintenance fund (one third of the formula), and two portions of the National Highway System (almost one half of the formula). The result was an increase in of over \$450,000 annual in Interstate Maintenance and \$1.37 million in annual National Highway System for the State of Arizona – and ultimately transportation program funding affecting the MAG region. Additionally, I suspect CMAQ and other transportation fund programs in Arizona may also experience a 1-2% increase in annual funding.

As you know, the results of the 2005 Special Census Survey were not used by the Census' population estimates division to adjust the annual population estimates. The base of the Census' estimates are the 2000 Census counts, and population change comes from Internal Revenue Service data, Medicare records, and local building permit data.

A community or State of Arizona may challenge the Census' population estimate to cause an adjustment in the Census' annual population estimates. The challenge process utilizes building permit information or other data indicative of population change, potentially housing completion data. The challenge needs to be filed within 180 days of the release of the annual population estimates. As the incorporated place estimates are released in June, the challenge should be completed by about November of the same year.

A review of successful challenges of the Census' population estimates challenges shows 191 reported changes over six years. Over this period, communities in 21 different states have completed challenges. Last year, 59 challenges were accepted - 26 from Utah alone and 9 from Ohio.

Based on this preliminary analysis, I recommend both encouraging a formal challenge of the U.S. Census Bureau's annual population estimates, either by the State of Arizona or our member agencies and a closer examination of the funding formulas and calculations used in various transportation programs to confirm my preliminary findings and identify other programs which may be impacted by Census' population estimates

I welcome any questions or comments you may have on this subject, at your convenience.